



Trade Trends and Development Issues

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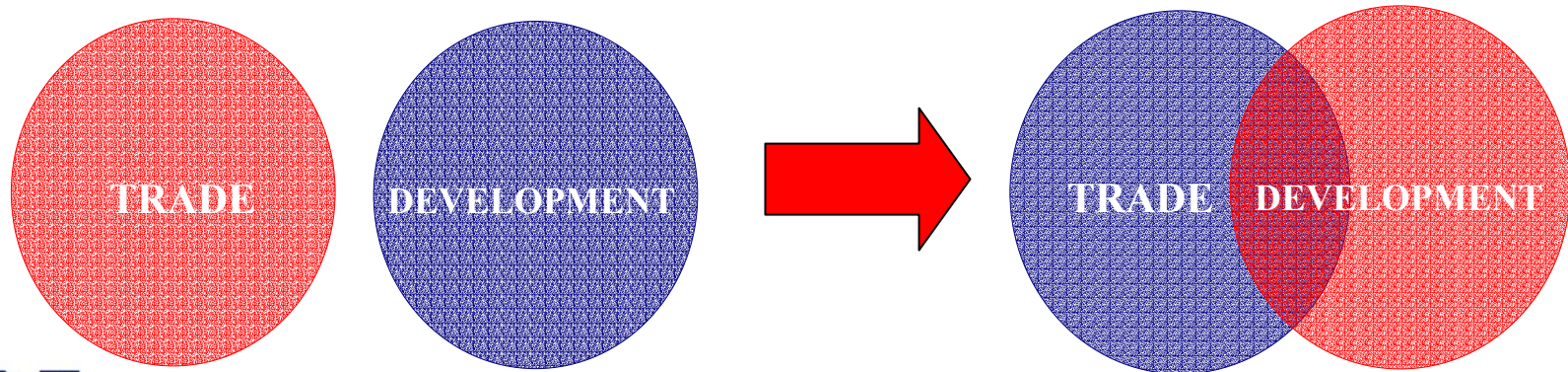
December 5-6, 2002



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Convergence of trade & development

- Trade and development policies are linked
- The two agendas have been pursued independently, but there are now compelling reasons for closer collaboration



Common principles

- Key principles for regulating trade are identical to principles underlying development assistance
 - Transparency
 - Non-discrimination (national treatment & MFN)
 - Objectivity
 - Predictability
 - Due process



Compelling reasons for closer collaboration

- Trade negotiations take on “development” focus at Doha (November 2001)
- Development agenda recognizes importance of trade (March 2002)
- Trade and Development = High Visibility
- Trade Capacity Building = Key Link

“The vast majority of financing for development comes not from aid, but from trade and domestic capital and foreign investment.”

“When trade advances, there's no question but the fact that poverty retreats.”

-- President Bush, Monterrey Mexico, Financing for Development Conference, March 2002



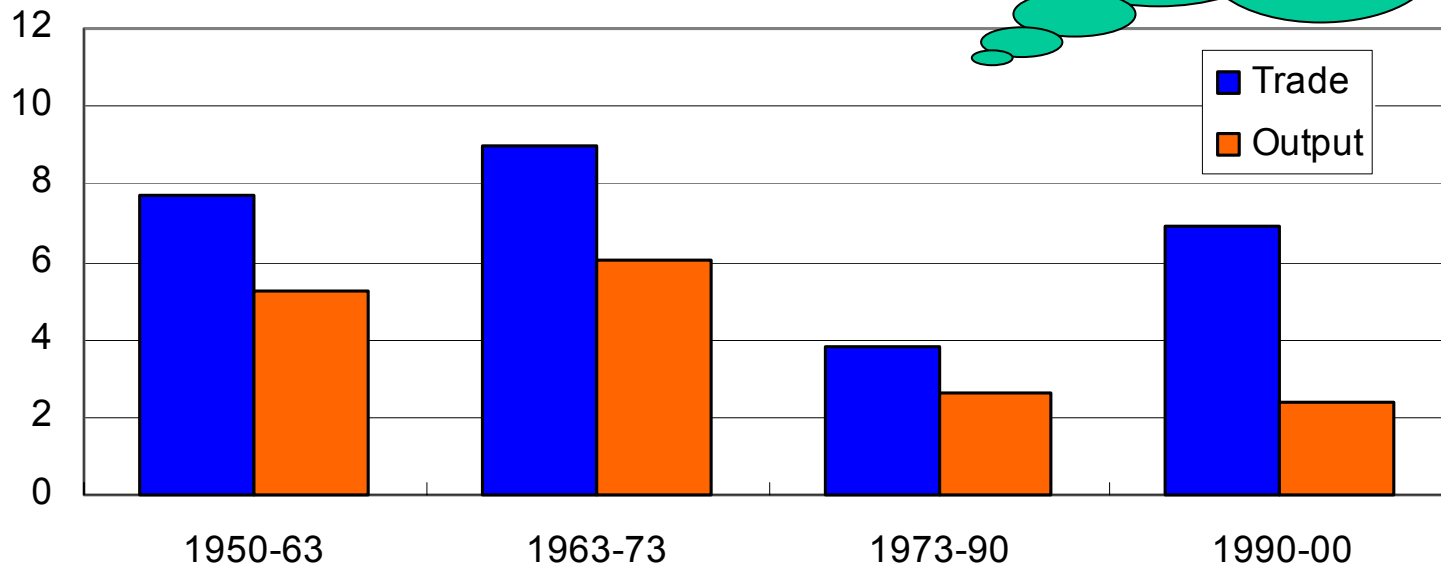
Expanding trade has fueled global growth

World Merchandise Trade and Output, 1950-2000

Average Annual Percentage Change
in Volume Terms

All merchandise

Trade volume has grown
70 percent faster than
GDP since 1950



Source: WTO

DCs a growing share of global trade

DC Share

Percent

35

30

25

20

15

10

5

0

1970

1975

1980

1985

1990

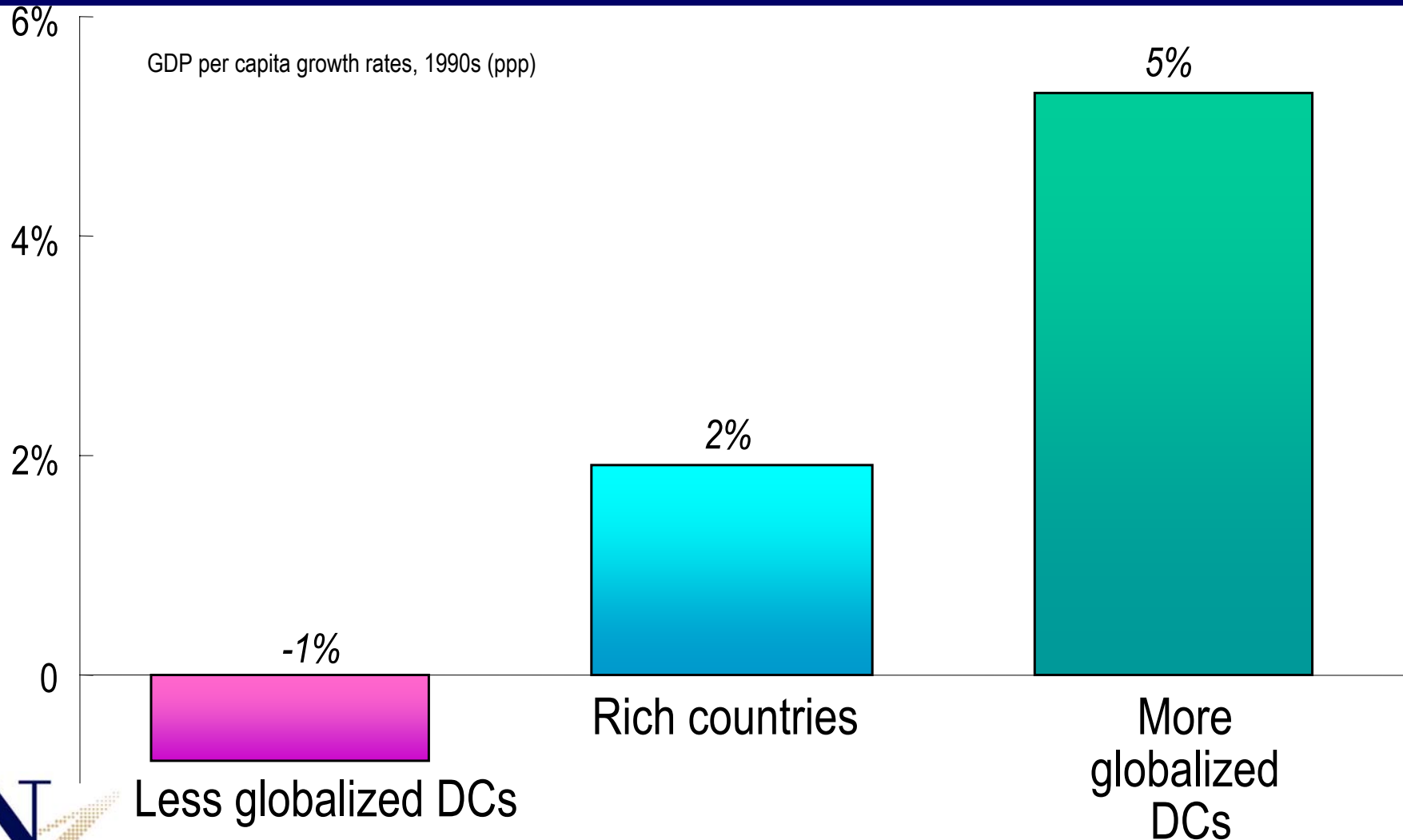
1995

DCs now account for 35% of world exports



World Bank, GEP, 2002

DCs—Globalization and growth in the 1990s



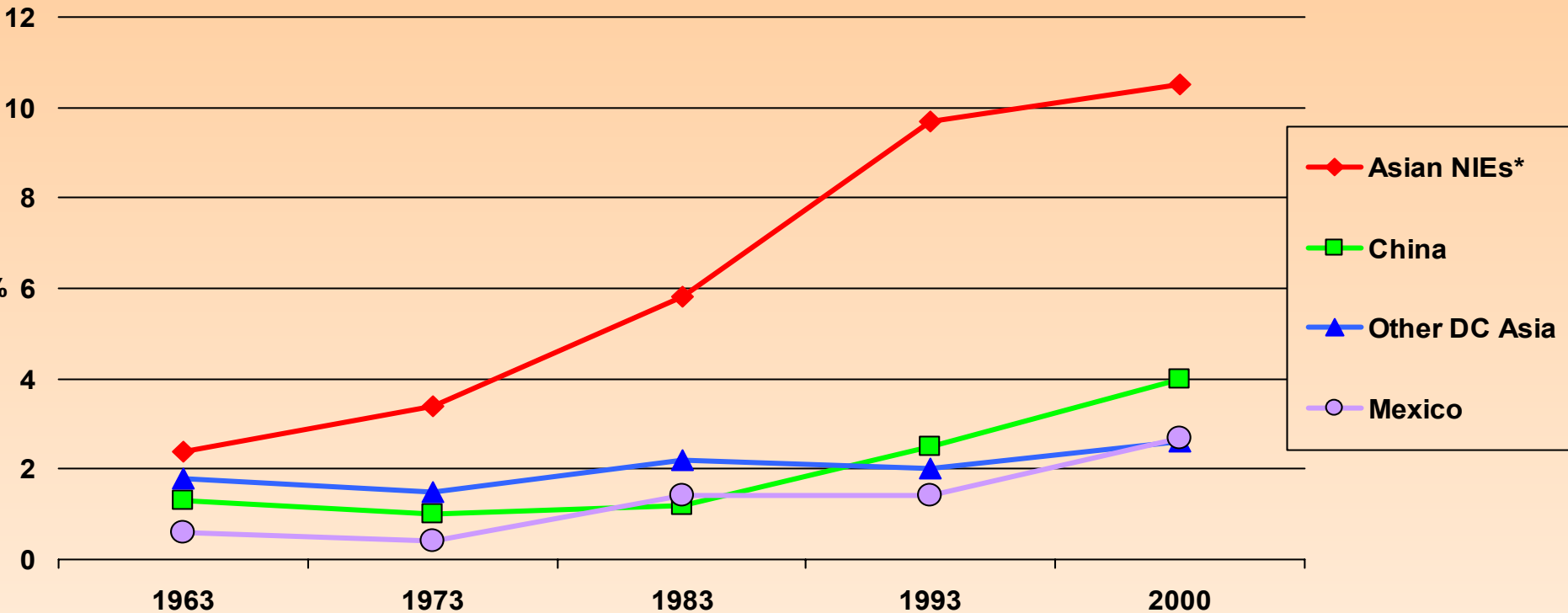
Source, World Bank, Globalization, Growth, and Poverty, 2002

Growth has been concentrated in Asia



Share of Global Merchandise Exports: 1963-2000

Share of
World Trade



Source: WTO

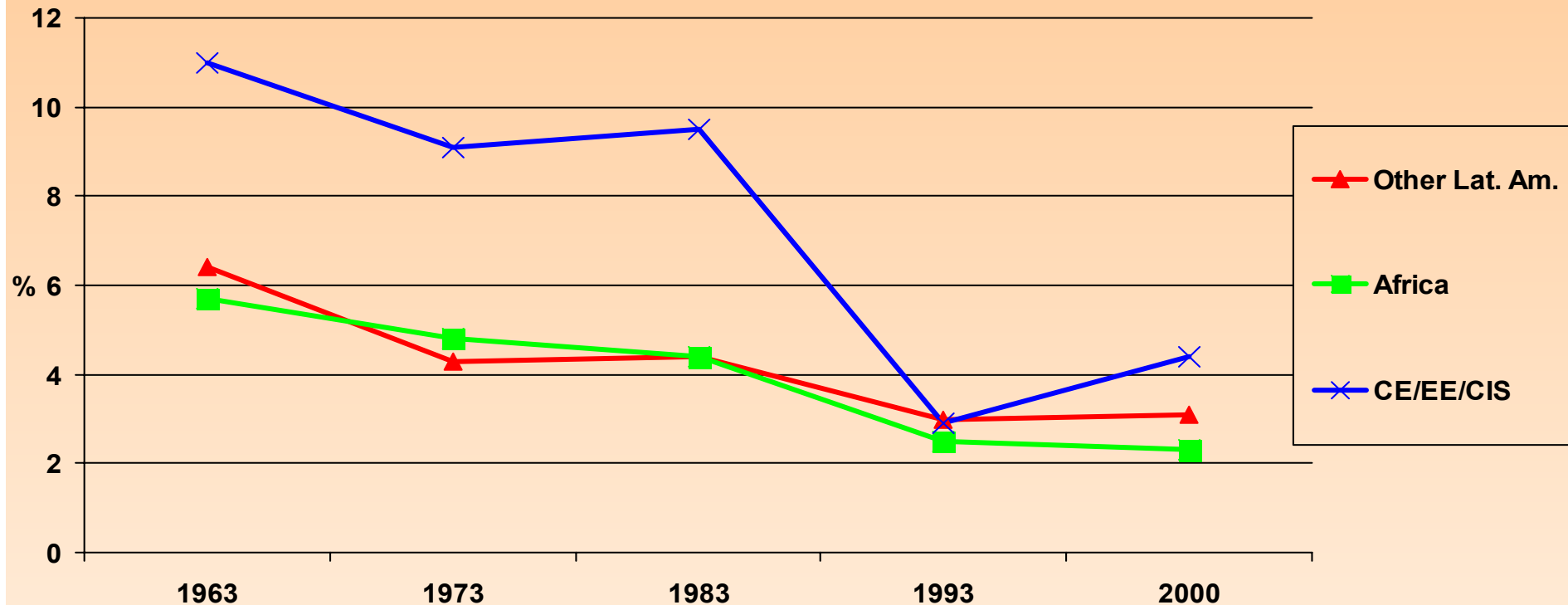
*Hong Kong, Rep. Of Korea, Malaysia,
Singapore, Chinese Taipei, Thailand



Market share losers—E&E, Africa, and other Latin America

Share of
World Trade

Share of Global Merchandise Exports: 1963-2000



Source: WTO



A few DCs predominate

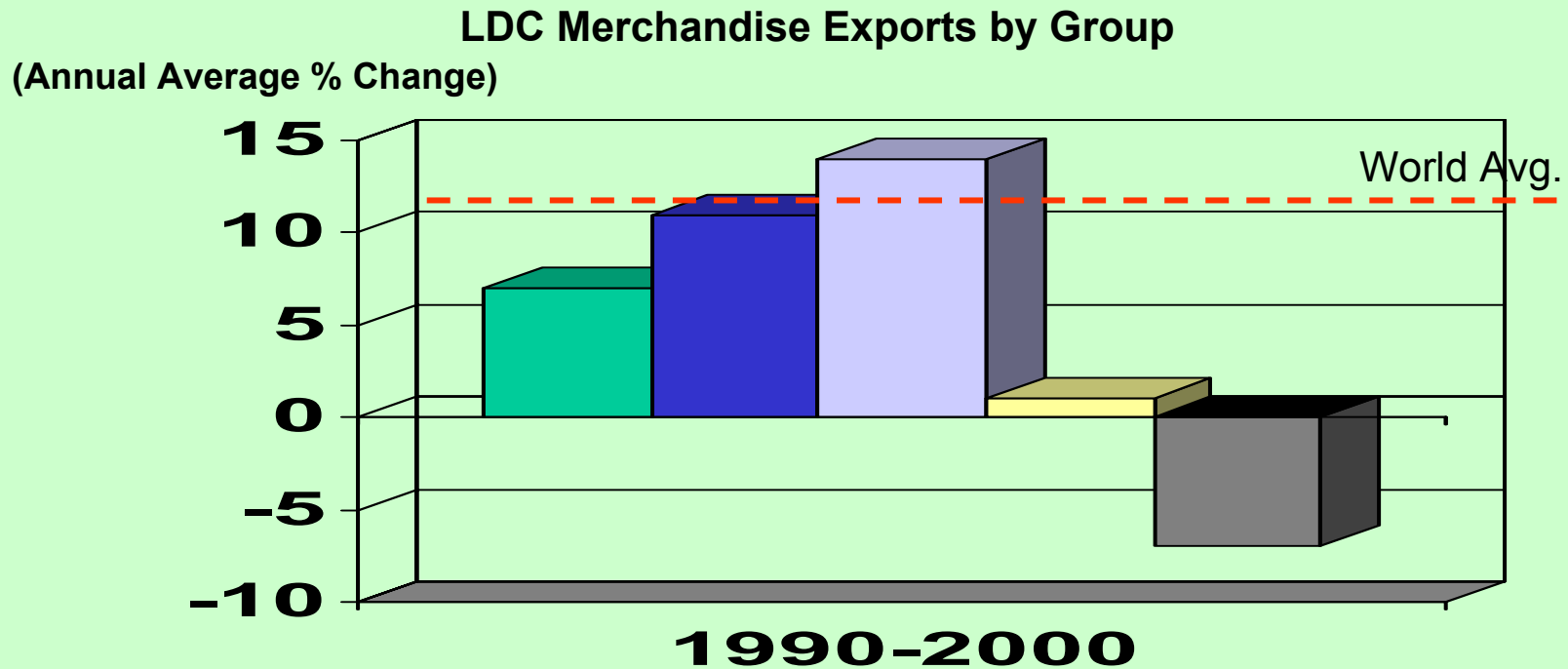
TOP 10 DEVELOPING COUNTRY EXPORTERS – 2000

<u>Country</u>	<u>% of DC Exports</u>
1. China	13
2. Korea, RO	9
3. Mexico	9
4. Taipei, Chinese	8
5. Malaysia	5
6. Saudi Arabia	4
7. Singapore	4
8. Thailand	4
9. Indonesia	3
10. Brazil	3

**Top 10 DCs
account for 64%
of DC exports**

**LDCs ACCOUNT FOR LESS THAN 2% OF DC TRADE
(0.5% OF GLOBAL TRADE)**

Among LDCs there are differences

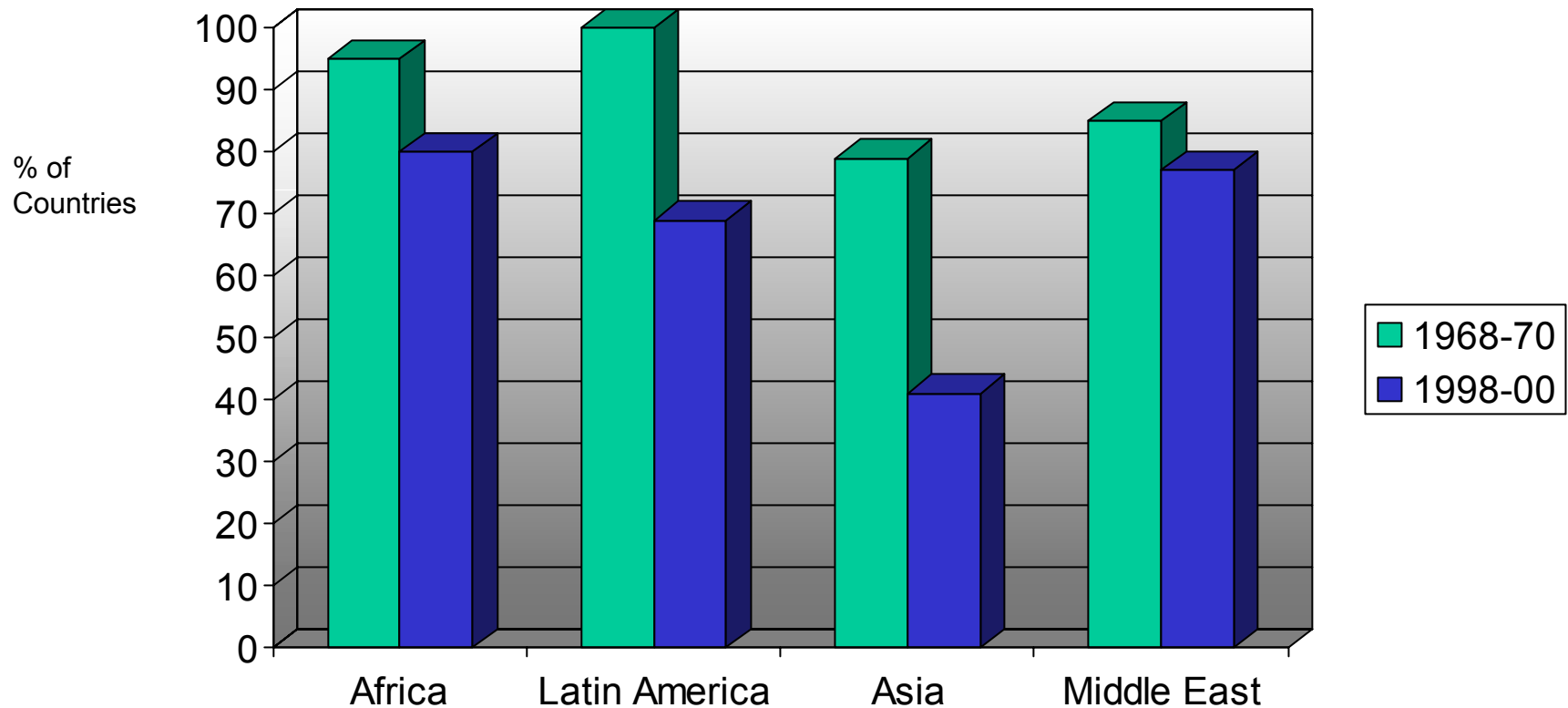


Source: WTO

- All LDCs
- Oil Exporters (4)
- Manufactures Exporters (7)
- Commodity Exporters (29)
- LDCs with Civil Strife (6)

Vulnerability: Most DCs still rely on primary products exports

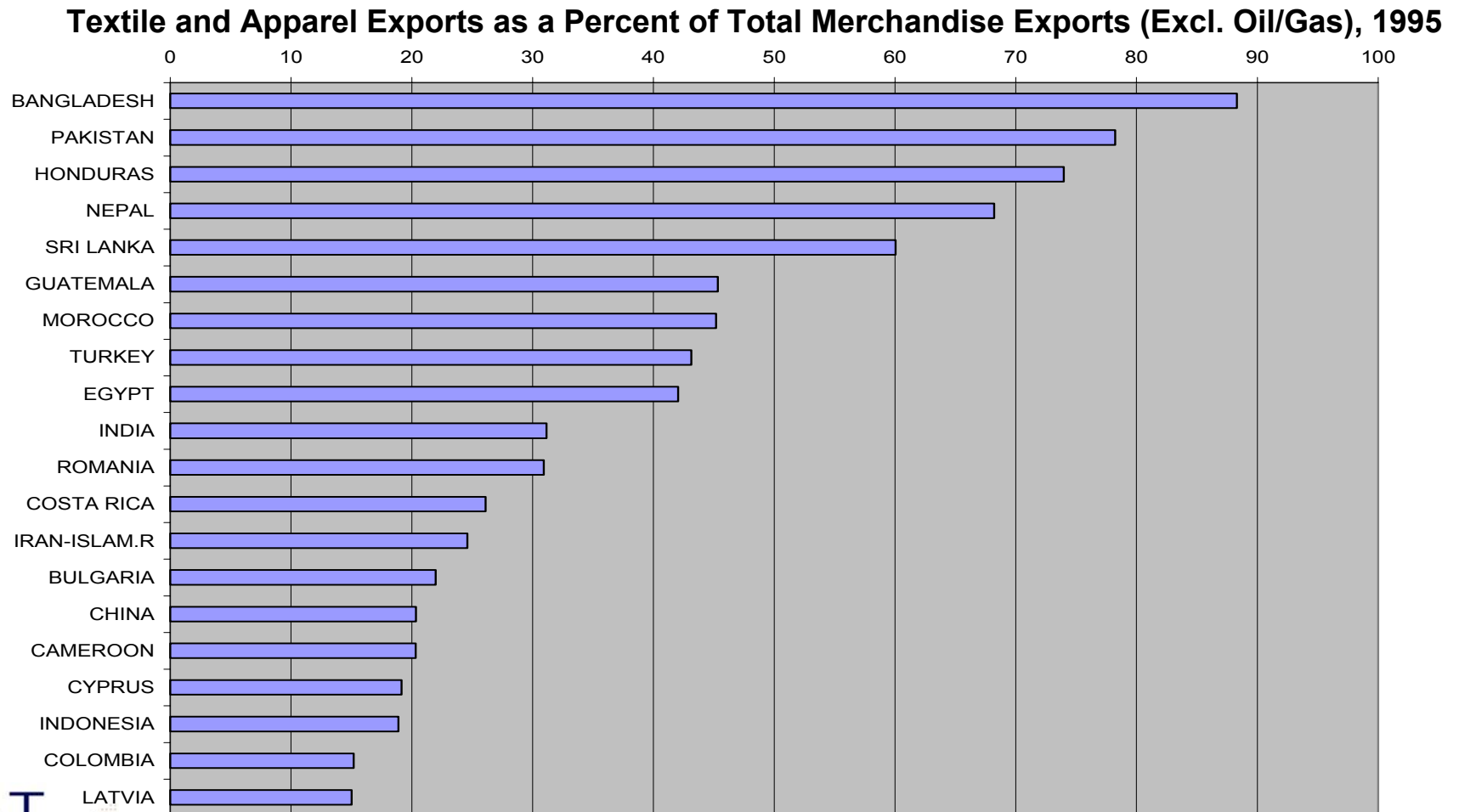
DCs Where Exports of Primary Products are 50% or More of Total Exports



Source: WTO



Vulnerability: Many DCs are dependent on textile/apparel exports



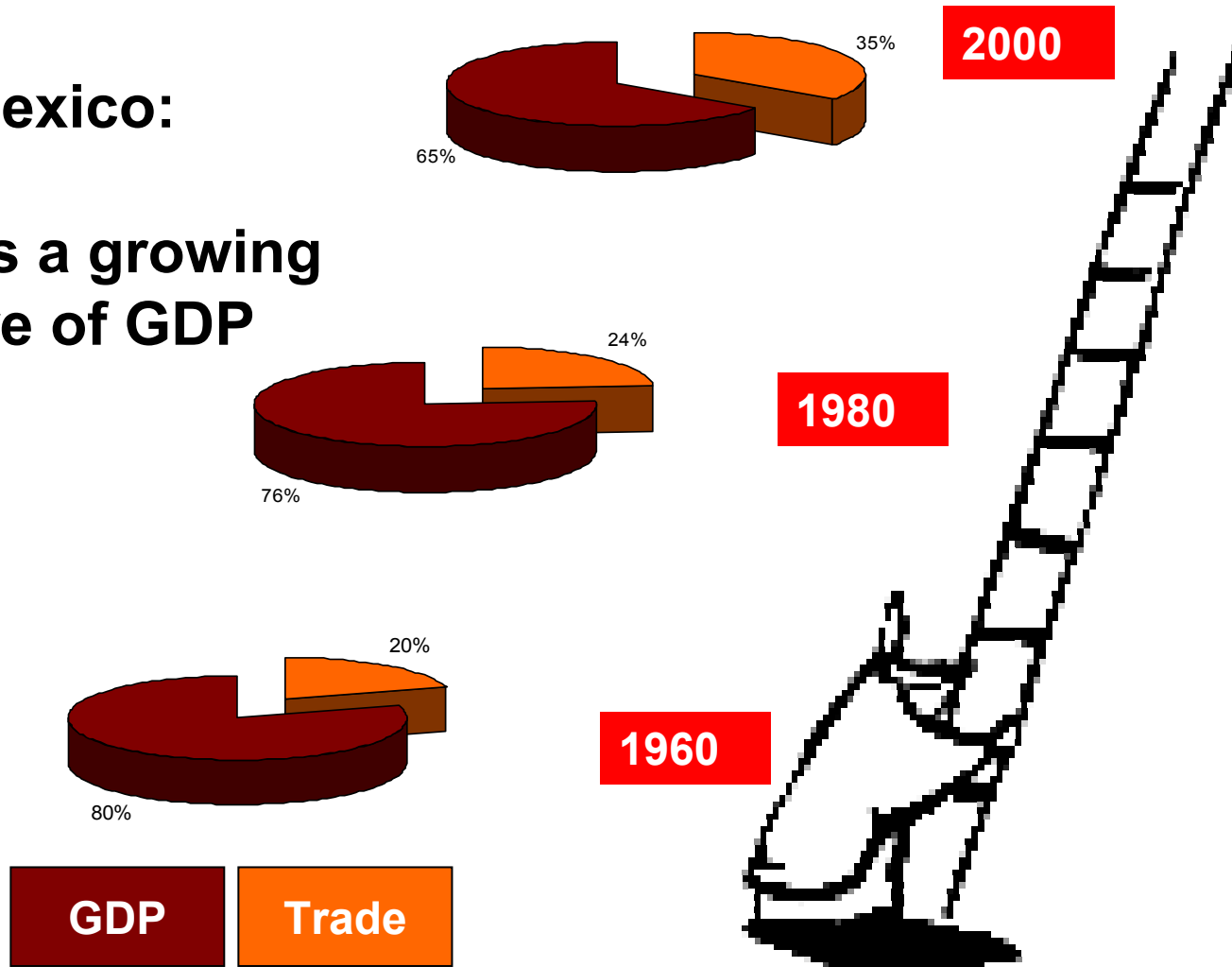
Source: WTO



Trade and the development ladder

Mexico:

Trade is a growing share of GDP

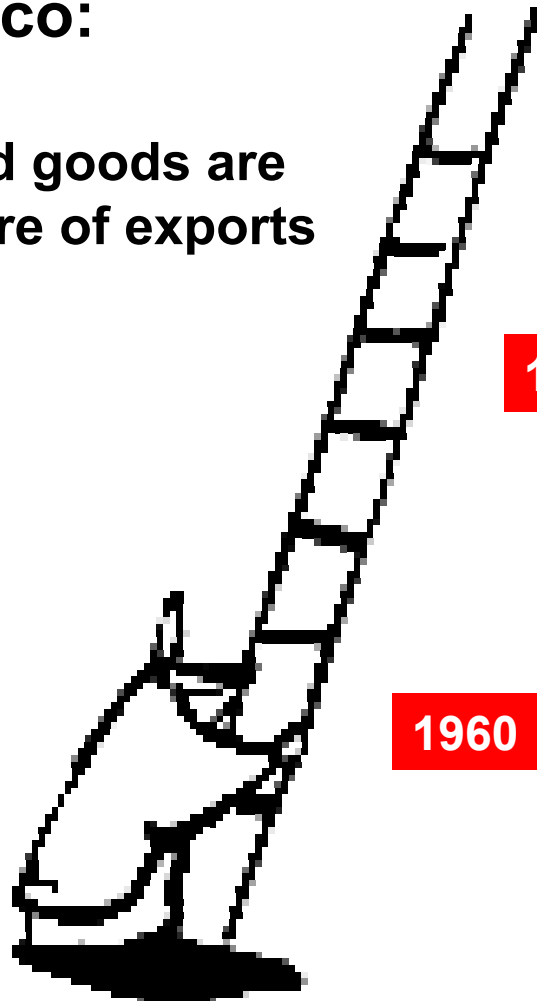


Source: World Bank, World Development Indicators

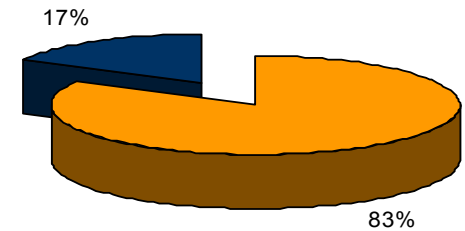
Trade and the development ladder

Mexico:

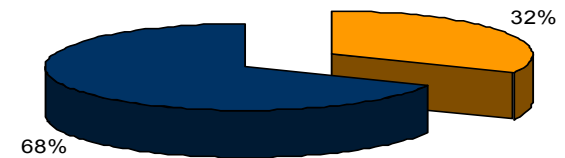
**Manufactured goods are
a growing share of exports**



2000



1980



1960

Data not available for 1960

**Merchandise
Exports**

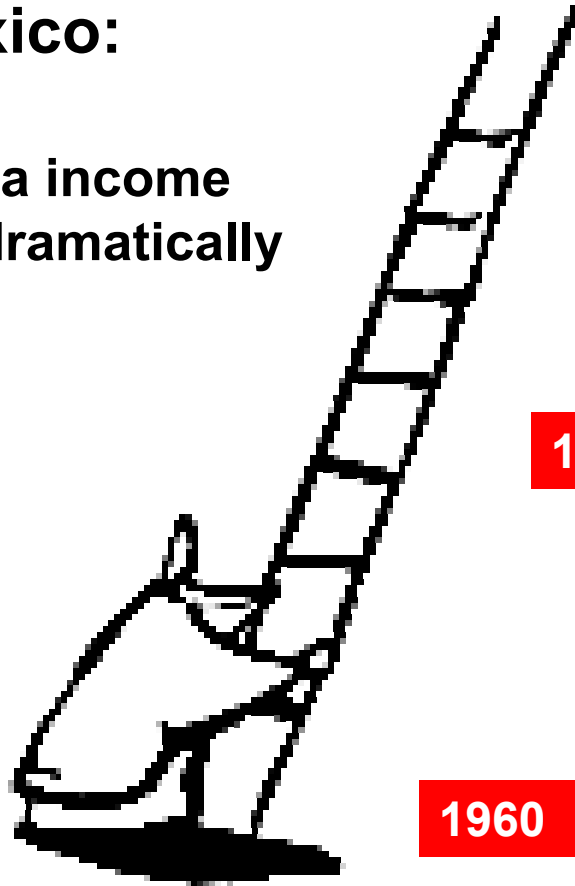
Manufactures



Trade and the development ladder

Mexico:

**Per capita income
has risen dramatically**



2000



PC Income* \$3,819

1980



PC Income* \$3,282

1960



PC Income* \$1,639

*Constant 1995 US \$

Source: World Bank, World Development Indicators

Trade and the development ladder

High Trade/GDP Share
High Manufactures Share of Exports
Growing “High-value-added” Exports
Increasing Trade in Services
Growing Product/Market Diversity

Growing Trade/GDP Share
Growing Manufactures Exports
Limited Product/Market Diversity

Low Trade/GDP Share
Resource/Commodity-Dependent Exports

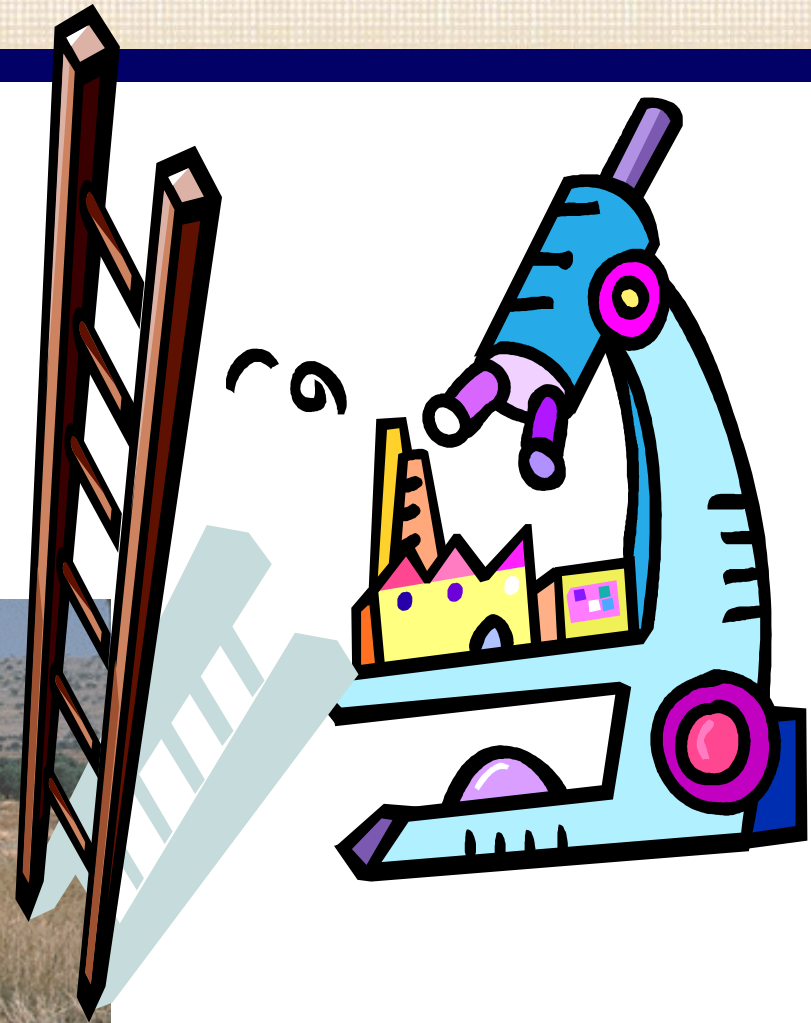
Illustrative Examples

Korea, Taiwan, Singapore,
Hong Kong, Malaysia, Thailand,
Israel, China

LA: Mexico, Brazil, Costa Rica
MENA: Tunisia, Morocco, Jordan, Lebanon
Asia: India, Indonesia, Sri Lanka +
E&E: Most of the region
SSA: Mauritius, Madagascar, Cape Verde

LA: Chile, Argentina, Ecuador, Suriname +
MENA: Most (except those listed above)
Asia: PNG, Samoa, Tonga, Vanuatu
SSA: Mozambique, Tanzania, Uganda, Zambia +

How do countries climb the ladder?



Three steps

- Diversify export markets, products, services
- Increase value-added in country -- processing and manufacturing
- Boost domestic supply/services linkages

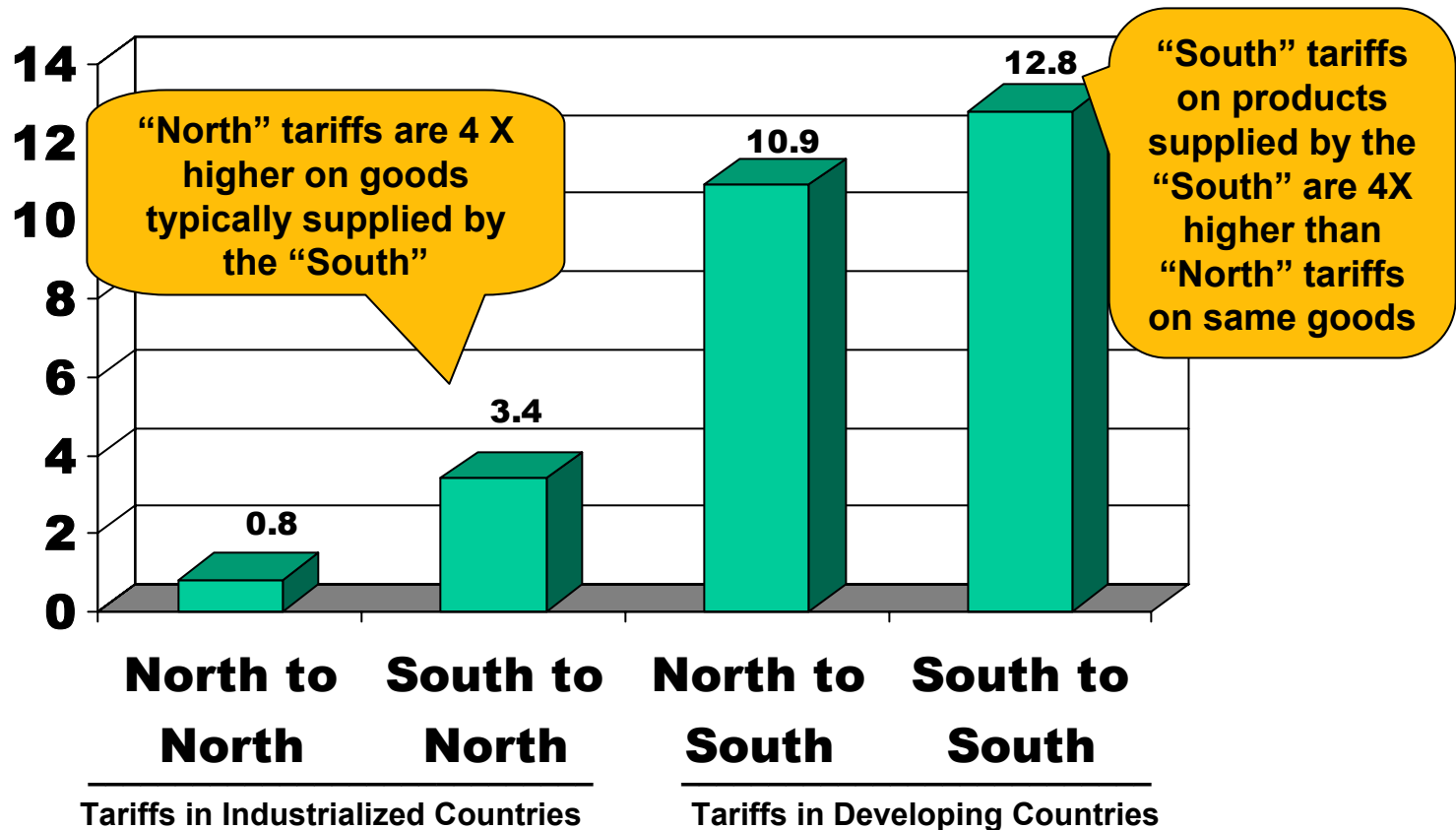


DCs—Some key trade issues

- Access to foreign markets
- “Supply response” to foreign demand

Market Access: Tariffs on DC products are highest in other DCs

Percent



Source: World Bank, Global Economic Prospects, 2002

BUT: DC producers are often unable to respond effectively to trade opportunities

- Impediments vary, but commonly include...
 - Lack of market information
 - Inability to meet foreign market requirements (e.g., Rules of Origin, standards, labeling)
 - High production/transportation costs

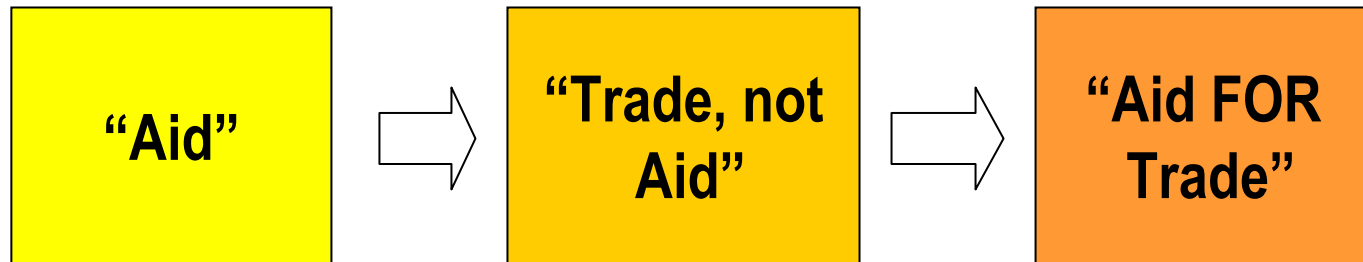
Costly input prices/high duties on imports
Land, labor, financial market rigidities
Burdensome transactions costs

- Transportation bottlenecks
- Customs processing delays
- Regulatory burden
- Bureaucratic inefficiency
- Corruption



How can USAID help?

The Evolution in Development Approaches:



Solutions

1. Address market access issues

- WTO
- Regional agreements
- Preferential trade agreements
- Bilateral trade issues

USAID assistance to:

- *Understand* agreements
- *Participate* in negotiations
- *Implement* commitments

2. Address supply response issues

USAID assistance to:

- Develop market-responsive globally active businesses
- Liberalize trade (reduce input costs)
- Enhance enabling environment: public sector institutions, laws, and infrastructure
- Improve Customs processing
- Understand and comply with foreign market requirements (RoO, SPS, TBT)
- Diversify production; train/retrain workers

